

# Growth Strategy

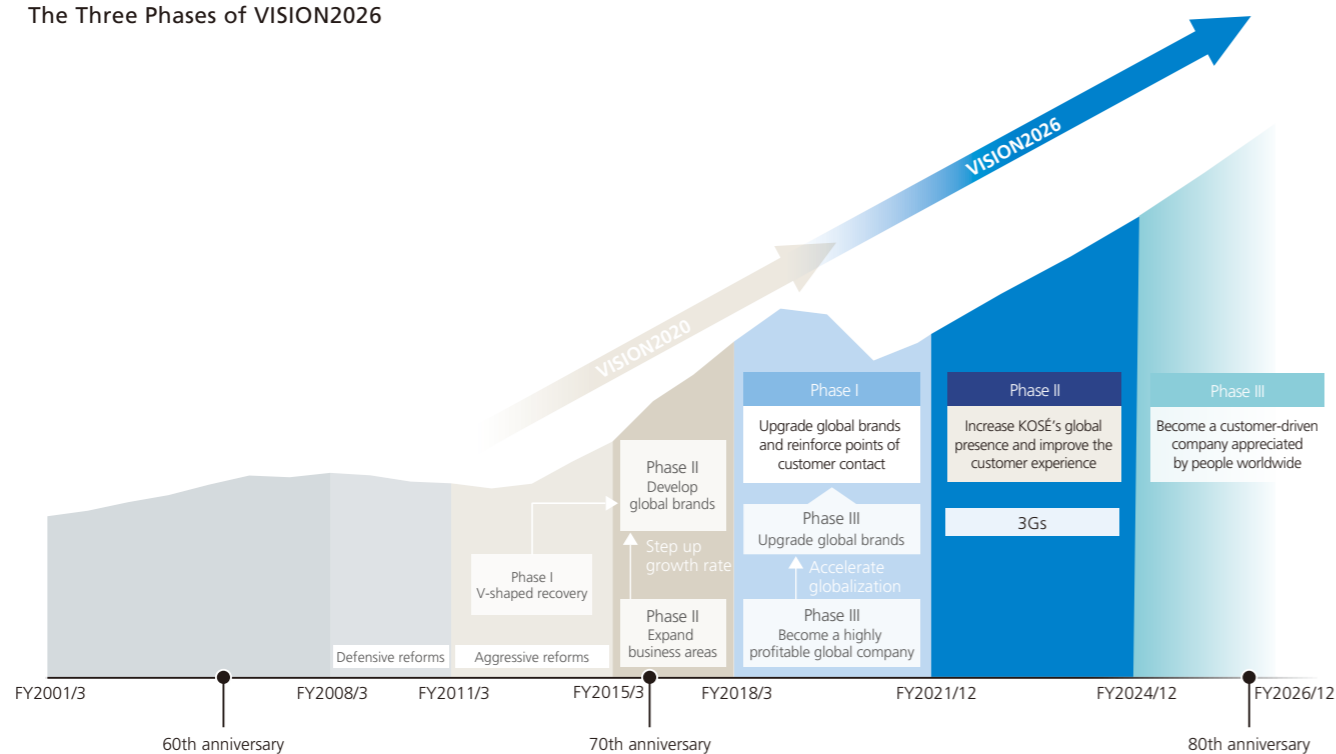
## Overview of Growth Strategies

Toward the 80th anniversary of its founding, the KOSÉ Group formulated medium-to-long-term VISION2026, under which it aims to evolve into a company with a global presence. Fiscal 2023 was the second year of Phase II: “Increase KOSÉ’s global presence and improve the customer experience.”

### Theme and Roadmap | Evolving into a Company with a Global Presence

Phase I	Upgrade global brands and reinforce points of customer contact (FY2018–FY2021)
Phase II	Increase KOSÉ’s global presence and improve the customer experience (FY2022–FY2024)
Phase III	Become a customer-driven company appreciated by people worldwide (FY2025–FY2026)

### The Three Phases of VISION2026



## Progress toward Quantitative Targets and Formulation of the Next Vision

Following three years impacted by the COVID-19 pandemic, in fiscal 2023 we saw a steady recovery in sales in Japan and at Tarte, Inc. However, progress toward our net sales and profit margin targets has been significantly delayed, mainly due to a slowdown in economic recovery and a downturn in consumer sentiment in the China market.

In light of changes in the Greater China region’s business environment in fiscal 2023, we must revise our assumption of rapid expansion in demand from Chinese consumers (including inbound tourists to Japan), which was a pillar on which quantitative targets under VISION2026 were based. Even though circumstances in both the Chinese mainland and travel retail markets continue to change, we have started formulating our next vision with the aim of achieving stable business growth and improving profitability. We plan to disclose our next vision at the earliest opportunity in fiscal 2024.

Indicators	FY2026 Target	FY2019 Results*	FY2023 Results
Net sales	¥500 billion	¥332.9 billion	¥300.4 billion
Operating margin	16% or more	15.7%	5.3%
Return on assets (ROA)	18% or more	18.6%	4.7%
Return on equity (ROE)	15% or more	18.8%	4.4%
Overseas sales ratio	50% or more	27.9%	36.8%
E-commerce/Travel retail sales ratio	25% or more	13.6%	21.6%

\* Record high net sales and operating profit ratio

## Basic Strategies and Initiatives for 2023-2024

	Basic Strategies	Initiatives for 2023-2024
Three Growth Strategies	Accelerate global brand development	<ul style="list-style-type: none"> <li>▶ Further expand activities to ensure the growth of flagship global brands through strategic investment</li> <li>▶ Maximize demand from Chinese consumers (China mainland and travel retail)</li> <li>▶ Focus on <i>DECORTÉ</i> and <i>SEKKISEI</i> to capture Western markets</li> </ul>
	Proactively develop unique products	<ul style="list-style-type: none"> <li>▶ Increase global competitiveness through the application of state-of-the-art technologies and unique forms of value</li> <li>▶ Further evolve product creation through new material development and new manufacturing equipment</li> <li>▶ Embody Monozukuri2026 (sustainability and adaptability)</li> </ul>
	Explore new growth areas	<ul style="list-style-type: none"> <li>▶ Expand target genders and generations, and expand value proposition to areas of well-being</li> <li>▶ Expand use of digital technology (e-commerce, online-merge-offline, counseling)</li> <li>▶ Generate results from efforts in the areas of pharmaceuticals and hair salons</li> </ul>
Two Value Creation Vectors	Use digital technology to achieve more and better personal customer experiences	<ul style="list-style-type: none"> <li>▶ Improve LTV* through customer-focused marketing across brands</li> <li>▶ Offer the value of cosmetics in areas of well-being</li> <li>▶ Improve customer service quality by leveraging the benefits of both online and offline counseling</li> </ul>
	Focus on unique forms of value by utilizing external resources and technologies	<ul style="list-style-type: none"> <li>▶ Leverage external technologies in the area of Monozukuri (manufacturing)</li> <li>▶ Create new types of value through open innovation</li> <li>▶ Collaborate with external resources from a global perspective</li> </ul>
Three Foundations	Build a sound foundation for the Company’s growth	<ul style="list-style-type: none"> <li>▶ Manufacturing business process reengineering (BPR): Promote business reforms and build a sustainable production system, including at the new Minami-Alps Factory</li> <li>▶ Increase business efficiency by reducing costs, inventories, and waste</li> <li>▶ Promote digital transformation as a global company</li> <li>▶ Invest resources in growth areas by improving labor productivity</li> </ul>
	Promote diversity and inclusion	<ul style="list-style-type: none"> <li>▶ Create an environment where diverse human resources can be effectively utilized and provide employees with job satisfaction</li> <li>▶ Establish a portfolio of human resources and optimize utilization of human resources</li> </ul>
	Develop a sustainability strategy spanning the entire value chain	<ul style="list-style-type: none"> <li>▶ Promote unique sustainability strategies for people and the Earth</li> <li>▶ Instill and implement the KOSÉ Sustainability Plan</li> <li>▶ Accelerate initiatives by generating synergies within the Group and collaborating with other companies</li> </ul>

\* Lifetime value for customers



## Fiscal 2023 Achievements

In fiscal 2023, we worked to create new customers under the themes of the 3Gs (“Global,” “Gender,” and “Generation”). Our signing of U.S. Major League baseball player Shohei Ohtani as a global ambassador generated a significant response and widened our customer base, including among male customers. We also led efforts to raise consumer interest in genderless brands, to develop products for all ages and to work on awareness-raising activities for cosmetics that incorporate UV care. Examples of fiscal 2023 accomplishments that reflect our basic strategies are as follows.

Three Growth Strategies	Examples of Accomplishments in 2023
Accelerate global brand development	▶ <i>Tarte</i> Successful expansion of operations to Europe, the Middle East and Asia; record-high sales in stores and shipments
	▶ <i>DECORTÉ</i> Opened duty-free store in Paris, our first such store in Europe, thereby leading our entry into duty-free markets in regions other than Asia
	▶ <i>ADDICTION</i> Started e-commerce operations in the U.S.
	▶ <i>SEKKISEI</i> Stepped up activities for selling products at a large U.S. retailer
Proactively develop unique products	<ul style="list-style-type: none"> <li>▶ Received Best Cosmetics Awards for many products in various categories.</li> <li>▶ <i>DECORTÉ EYE GLOW GEM SKIN SHADOW</i>—Developed a composite gel which achieves both wet glossy eye color and strong stability over time</li> <li>▶ <i>Visée NENMAKU FAKE ROUGE</i>—Developed a film coating separation technology that preserves the gloss and color of the lipstick even when wearing a face mask</li> </ul>
Explore new growth areas	<ul style="list-style-type: none"> <li>▶ Use of a unified customer ID covering many brands as part of OMO (Online Merges with Offline) measures</li> <li>▶ Started individual customer pages at the <i>DECORTÉ</i> official online boutique to increase linkage with stores, such as by giving a customer access to past store purchases</li> </ul>

## Key Initiatives for Fiscal 2024

In fiscal 2024 our growth strategies will be to accelerate global brand development and build solid business foundations

Growth Strategies	Key Initiatives in 2024
Accelerate global brand development	▶ Japan Continue raising KOSÉ’s profile in the high-prestige market
	▶ <i>Tarte, Inc.</i> Achieve further growth in countries and regions where <i>Tarte</i> products are sold
	▶ China and Travel Retail Increase the value of brands and improve profitability
	▶ North America, Europe, ASEAN and India Develop new markets for KOSÉ brands

Business Foundations	Key Initiatives in 2024
Build a sound foundation for the Company’s growth	<ul style="list-style-type: none"> <li>▶ Establish the Product Headquarters as a single unit to oversee all operations involving manufacturing with the aim of stronger communications and cooperation among different departments and even better global supply chain capabilities</li> <li>▶ Strengthen overseas operations by opening a branch in France and appoint a person responsible for the overall coordination of operations in the ASEAN region and India</li> <li>▶ Establish a Business Process Reform Office at KOSÉ SALES CO., LTD., which sells KOSÉ products in Japan; use a sales support system to increase profitability</li> </ul>

## Strategy by Brand

The KOSÉ Group’s unique brand marketing was born out of our founder’s ambition and the sense of responsibility toward cosmetics that remains with us today. As we work to become a company with a global presence, we will pursue our goal of being a source of beauty for everyone, centered on three main brand categories.



### High-Prestige Brands

A group of top-quality brands developed by leveraging all of KOSÉ’s cutting-edge technologies. They are sold at specialty cosmetics stores, department stores and other retail outlets that distribute exclusive brands. KOSÉ’s specially trained Beauty Consultants offer meticulous counseling to help customers select the products that suit them best.

#### Strengths and Opportunities

- Enhancement of high-quality products through proprietary cutting-edge technologies and research and development
- Highly specialized counseling sales system that incorporates the digital domain
- *DECORTÉ LIPOSOME* series supported by customers of all ages
- Unrivalled popularity of *Tarte* in the concealer, lipstick and mascara categories in the United States

#### Fiscal 2023 in Review

In fiscal 2023, we opened a *DECORTÉ* counter at a department store in Paris, France as our first duty-free shop in Europe. Additionally, in Japan, business performance continues to be led by the *LIPOSOME* series, which was renewed three years ago. Sales of the *AQ* series, renewed in September 2023, have also been consistent. Even so, global sales declined overall as a result of a sharp decline in sales in China and South Korea.

For *Tarte*, the concealer and lipstick categories drove performance throughout the year, setting new records for in-store sales and for net sales. The opening of new stores in Europe, the Middle East and Asia has been successful.

Sales of *ADDICTION* products increased in the United States with the launch of an e-commerce business, and the brand has continued to perform well in Japan.

The *ALBION* brand saw overall sales growth, supported by continued demand from inbound tourism centered on the *Elégance* product line.

#### Fiscal 2024 Initiatives

For *DECORTÉ*, we are aiming for double-digit sales growth in Japan and to acquire new overseas customers by strengthening promotions of the *AQ* and *LIPOSOME* series and by developing new products. Our goal is to further increase the brand’s presence in the high-prestige market. Furthermore, we will work to retain the wider new customer base that we have established as a result of strengthening our product capabilities and diversifying our sales channels. In the Chinese market in particular, we will focus on using in-store counseling services and beauty treatment experiences to create more customers. We will also strengthen sales of higher-value products that are strong sellers in Japan.

For *Tarte*, we will work to attract new customers by opening more stores in North America, Europe, the Middle East and Asia, and by developing new sales channels, including a social media-linked online store. On the product front, we will maintain our position as the leading brand in the concealer category and reinforce our position in the lipstick and mascara categories.

For *ADDICTION*, we will work to increase the brand’s name recognition overseas.

For *ALBION*, we will work to increase brand value by focusing on sales of skincare products such as *SKIN CONDITIONER ESSENTIAL N*, a product celebrating its 50th anniversary, and by fully utilizing our counseling services, which are the brand’s strength.



## Strategy by Brand

## Prestige Prestige Brands



High-value-added brands with their own distinctive characteristics. They are sold through a wide range of channels, including drugstores, specialty cosmetics stores, mass retailers and online.

### Strengths and Opportunities

- Development of high-value-added products unique to KOSÉ through mass retail channels such as drugstores
- A large portfolio of long-selling items that support “being a source of beauty for everyone”

### Fiscal 2023 in Review

Sales of *SEKKISEI* in Japan have been steadily growing, centered on the *MEDICATED SEKKISEI* product series. In terms of product categories, we introduced U.S. Major League baseball player Shohei Ohtani as an image model for *UV ESSENCE GEL* sunscreen and conducted awareness-raising activities aimed at junior and senior high school students throughout Japan under the theme of “protect your skin from UV rays.” In the United States, we strengthened the introduction and sales of products to a large retailer, and increased sales volume.

For *ONE BY KOSÉ*, the new products *PORE CLEAR OIL* and *SERUM SHIELD* contributed to sales performance. *PORE CLEAR OIL* uses KOSÉ's unique keratin plug clearing technology. *SERUM SHIELD* is made using Rice Power® No. 11+, an active ingredient recognized for its effectiveness on two fronts: improving the skin's moisture retention and working on the epidermis, basement membrane and dermis layers of the skin to improve wrinkles. It is the first product in Japan to be recognized for its efficacy in relation to both functions.

### Fiscal 2024 Initiatives

To mark the 40th anniversary of the *SEKKISEI* brand, we renewed the long-selling *MEDICATED SEKKISEI* lineup with the launch of *MEDICATED SEKKISEI BRIGHTENING ESSENCE LOTION* in March 2024. The product contains KOSÉ's proprietary active ingredient derived from licorice root, which has the dual effects of brightening and improving the appearance of rough skin. In addition to achieving an increase in sales with this latest product renewal, by further reinforcing our appeal in the areas of the 3Gs (“Global,” “Gender,” and “Generation”), we will broaden the scope of our value provision and attract an even wider variety of customers.

For *ONE BY KOSÉ*, we will further enhance the value that existing core products offer, strengthen the brand's consumer appeal and encourage repeat purchases.

## Cosmetaries Cosmetaries Brands



A group of self-selection brands, including cosmetics and toiletries such as shampoo, that are developed using the same approach as the one used to develop cosmetics. We call this category of products “cosmetaries.”\* We offer high-quality products at reasonable prices through mass retailers, drugstores, convenience stores and other retail outlets.

\* Cosmetaries: A coined term combining “cosmetics” and “toiletries”

### Strengths and Opportunities

- Lineup of self-selection brands developed using the same approach we use to develop cosmetics
- Potential to offer high-quality cosmetics and toiletries at affordable prices

### Fiscal 2023 in Review

At KOSÉ Cosmeport Corp., the *GOMEN NE SUHADA* series of sheet masks (part of the *CLEAR TURN* brand) and other skincare products performed strongly.

The Company conducted a successful “Don't let your lips be naked” campaign that boosted the *Visée* brand. The campaign was timed to coincide with an increase in the number of people no longer wearing face masks following the reclassification of COVID-19 in Japan. This resulted in strong sales growth for the brand, with *NENMAKU FAKE ROUGE* leading the boom in popularity of lipsticks that create colors and textures similar to natural skin tones.

We also launched *MAKE KEEP MIST EX*, the leading product in the fixing mist market, *MAKE KEEP POWDER*, a face powder that prevents sebum and shine, and *MAKE KEEP PRIMER*, all of which demonstrate the strong presence of the *MAKE KEEP* series.

For *FASIO*, we also achieved buoyant sales, partly thanks to the launch of the *ULTRA WP MASCARA* series with enhanced smudge-proof functionality.

### Fiscal 2024 Initiatives

At KOSÉ Cosmeport Corp., we will work to expand market share by reinforcing the appeal of products from the mainstay *softymo*, *CLEAR TURN* and *SUNCUT* brands, and to reduce costs, inventory and product returns.

The *Visée* brand, which marks the 30th anniversary of its launch in 2024, is being promoted with a new slogan (“Discover Your Unique Allure”) and brand concept (“Diverse Glamour”). In addition, we launched the 30th *GLAMOROUS LAYERED PALETTE* and the 30th *VOLUME LIP MAKER* as limited-edition anniversary items. We aim to broaden the brand's customer base with a genderless message, offering beauty that inspires and emboldens each individual to feel their own allure and reveal their own attractiveness.

In April 2024, we launched *MAKE KEEP MIST EX+* as a new addition to the market-leading *MAKE KEEP* series. We will work to further increase market share going forward.



# Financial Capital Strategy

The KOSÉ Group's financial capital strategy is to carry out its plans for Group-wide growth, under the basic policy of building a solid financial foundation for the Company's sustainable growth and increasing profitability and efficiency.

The Company formulated medium-to-long-term VISION2026 taking the Company's cost of capital into account. The management indicators set as targets as part of the vision are: operating margin, return on assets (ROA) and return on equity (ROE). In fiscal 2023, these management indicators decreased year on year. The results for fiscal 2023 and plans for fiscal 2024 are as follows.

## Fiscal 2023 Results and Fiscal 2024 Plans

(Billions of yen)

	FY2023 Results		FY2024 Plan	
	Amount	% of Sales	Amount	% of Sales
Net sales	300.4	100.0%	312.0	100.0%
Cosmetics business	240.4	80.0%	250.8	80.4%
Cosmetaries business	57.6	19.2%	58.8	18.8%
Other	2.2	0.8%	2.4	0.8%
Operating profit	15.9	5.3%	20.0	6.4%
Ordinary profit	20.2	6.7%	20.8	6.7%
Profit attributable to owners of parent	11.6	3.9%	12.6	4.0%
Net income per share (basic)	¥204.43		¥220.83	
ROA	4.7%		5.6%	
ROE	4.4%		4.4%	
Capital expenditures	5.8		25.5*	
Depreciation	9.5		10.5	

\* Construction of the Minami-Alps Factory is scheduled to begin in fiscal 2024.

Note: Assumed exchange rates for the FY2024 plan are as follows: ¥130.0/US\$, ¥19.0/CNY, ¥0.102/KRW.

## Fiscal 2023 in Review

### Consolidated Results for Fiscal 2023

In fiscal 2023, the Group's net sales reached ¥300.4 billion, up 3.9% year on year (excluding the impact of foreign exchange translation, 1.7%). This result reflected a significant increase in sales in Japan and at Tarte, Inc., which sells its products primarily in the United States and Europe, and a sharp decline in sales in China and South Korea. All levels of profit decreased, mainly due to a sharp decline in sales in the high-margin China and South Korea travel retail markets and due to higher marketing and personnel expenses. Operating profit was ¥15.9 billion (down 27.7% year on year); ordinary profit was ¥20.2 billion (down 28.7% year on year) due to a decrease in foreign exchange gains; and profit attributable to owners of parent was ¥11.6 billion (down 37.9% year on year).

### Financial Position and Cash Flows

The Company maintained a sound financial position as of the end of fiscal 2023. Total assets at the end of the fiscal year increased by ¥12.0 billion from the previous fiscal year-end to ¥371.6 billion due to an accumulated profit, and the equity ratio remained above 70%. Net cash provided by operating activities in fiscal 2023 rose to ¥30.4 billion (a year-on-year increase of 50.3%). Net cash used in investing activities increased to ¥11.2 billion (up 77.9% year on year). Net cash used in financing activities increased to ¥9.6 billion (up 32.3% year on year). As a result, cash and cash equivalents at end of period (on a consolidated basis) increased by ¥11.6 billion (12.3% year on year), to ¥105.6 billion.

## Forecast for Fiscal 2024

In fiscal 2024, the expectation is that global economic activity will be weighed down by monetary policy tightening by central banks in various countries, the increasingly tense situation in the Middle East and the prolonged conflict in Ukraine. In Japan, while the first wave of post-pandemic recovery in demand has come to an end, the economy is forecast to continue recovering at a moderate pace. In Asia, consumer spending on the Chinese mainland is expected to take some time to recover due to the prolonged housing slump and worsening unemployment levels. In the United States, although the impact of interest rate increases through to 2023 may start to become more evident, the labor market and consumer spending are expected to remain stable.

In light of these circumstances, in fiscal 2024 the Company expects sales to continue to be challenging in the South Korea market, to recover gradually in China, primarily in travel retail, and to grow steadily in Japan. Strong operating results are also expected at Tarte, Inc., the main markets for which are the

United States and Europe. However, under the assumption that the yen exchange rate will improve, the Company is forecasting net sales of ¥312.0 billion (up 3.9% year on year) after applying the updated Accounting Standard for Revenue Recognition. In terms of profits, the Company is forecasting operating profit of ¥20.0 billion (up 25.1% year on year). This forecast assumes increased gross profit due to higher sales and efforts to restore profitability in China, as well as marketing investments, primarily in the United States, to increase brand recognition. Ordinary profit and profit attributable to owners of parent are forecast to rise by 2.7% to ¥20.8 billion and by 8.0% to ¥12.6 billion respectively. We expect foreign exchange translation to have no impact overall.

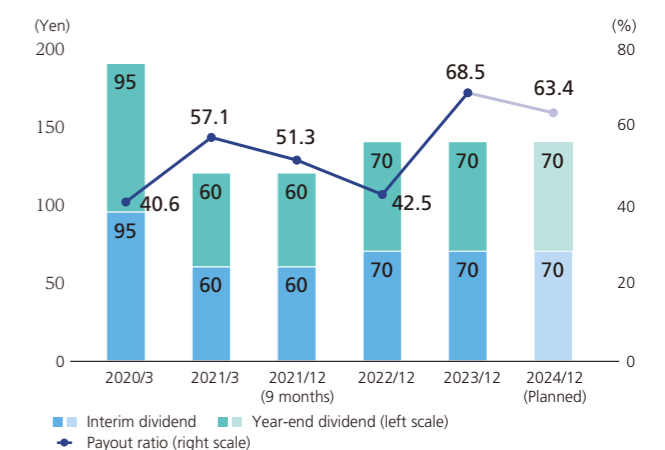
In terms of capital investment, construction of the Minami-Alps Factory is scheduled to begin during the fiscal year. The Company plans to invest ¥25.5 billion in total and record depreciation expenses of ¥10.5 billion.

## Stable Shareholder Returns

With regard to shareholder returns, the Company's policy is to return profits in the form of stable dividends to all shareholders, taking into account financial position, earnings, and the dividend payout ratio, while also considering the need to retain internal funds for future business expansion.

For the fiscal 2023 year-end dividend, even with profits ultimately less than planned, the Company decided to pay an ordinary dividend of ¥70 as initially stated. Together with the interim dividend of ¥70, the total annual dividend was ¥140. In fiscal 2024, the Company plans to pay a total annual dividend of ¥140, the same as in fiscal 2023. This is expected to result in a payout ratio above 60%, the second year in a row.

### Dividend/Dividend Payout Ratio



# Progress of the Sustainability Plan

In the KOSÉ Sustainability Plan, we have set medium-to-long-term targets to be achieved by 2030. Each year, we summarize the status of our efforts and announce our progress toward these targets.

See the KOSÉ website for information regarding progress and results. [More details](#)

For People: Medium-to-Long-term Targets of Activity Themes and Fiscal 2023 Progress						
Activity Theme	Commitment	Indicators	Fiscal 2023 results	Target	Achieve by	Relevant SDGs
<b>1</b> A source of adaptable products and services	We will contribute to a world where people with diverse backgrounds and features—including skin color, gender, sociocultural and geographical background, living environment, religion, creed, and physical features—can live confidently and beautifully.	Ratio of products and services reflecting the concept of adaptability	<ul style="list-style-type: none"> <li>Ratio of products and services reflecting the concept of adaptability <b>76%</b><sup>1,2</sup></li> <li>Started collaboration with Product Development Department to promote development of adaptable technologies</li> </ul>	100%	2030	
<b>2</b> Support for a beautiful, healthy and happy life	We will energetically address social issues so that everyone can lead a healthy and happy life. Activities will include improving quality of life (QOL), educating and raising awareness for the next generation, and enhancing the work environment, including our supply chain, through fair trade initiatives.	Implementation of specific activities	<ul style="list-style-type: none"> <li>Held UV protection seminars aimed at students</li> <li>Various activities to support the revitalization of local communities</li> <li>Various activities to support those experiencing difficulties in their daily lives</li> <li>Supported promotions of sports: <b>121</b> (cumulative since fiscal 2020)</li> </ul>	500 activities or more <sup>11</sup>	2030	
		Responsible palm oil procurement	<ul style="list-style-type: none"> <li>Procured RSPO<sup>3</sup> certified oil</li> <li>Purchase rate for RSPO certified materials procurement and for RSPO Credits through the Book and Claim supply chain model: <b>30.2%</b></li> </ul>	100%	2030	
<b>3</b> Help create a world with true gender equality	We will conduct awareness-raising and other activities that help to eliminate the gender gap not only in the KOSÉ Group, but elsewhere in Japan and around the world.	Gender equality awareness	<b>Activities for society</b> <ul style="list-style-type: none"> <li>Provided tuition support at a girls' junior high school in Tanzania and awarded commemorative gifts to graduates (<i>SEKKISEI</i>)</li> <li>Conducted awareness-raising activities to help resolve social issues, such as supporting women who work on traditional crafts and women who need to be protected from social problems (e.g., domestic violence) via the PURPLE RIBBON PROJECT (<i>DECORTÉ</i>)</li> <li>Supported living environment improvements for women in Ethiopia through the Share the Bloom campaign (<i>INFINITY</i>)</li> </ul>	1 million people or more <sup>11</sup>	2030	
			<b>Internal activities</b> <ul style="list-style-type: none"> <li>Promoted the KOSÉ IKUPAPA Support System to encourage male employees to take childcare leave and to support working couples who take care of children together</li> <li>Operated an internal information sharing website to disseminate information on topics such as balancing a career with childcare/nursing care</li> <li>Held Mom &amp; Dad Lounge community activities for employees raising children to share concerns and solutions with each other: <b>328,833 participants</b> (cumulative since fiscal 2020)</li> </ul>			

1. KOSÉ Corporation brands and certain major brands from domestic Group companies  
 2. Each brand selects one or more items from KOSÉ's eight unique Adaptability<sup>∞</sup> initiatives to focus on for that year, and the number of products and services realized under each initiative is counted against the total number to calculate the overall ratio  
 3. RSPO: Roundtable on Sustainable Palm Oil  
 4. Scheduled for updates in August 2024 after third-party verification  
 5. Targets that were established in 2023 are presented in line with this revision  
 6. Reduce/Reuse/Recycle/Renewable  
 7. Results for new products launched between January and December 2023  
 8. Results for new products shipped between January and December 2023  
 9. Reduce, Reuse, Recycle  
 10. KOSÉ Group production departments  
 11. Target was revised upward in April 2024

For the Earth: Medium-to-Long-term Targets of Activity Themes and Fiscal 2023 Progress						
Activity Theme	Commitment	Indicators	Fiscal 2023 results	Target	Achieve by	Relevant SDGs
<b>4</b> Use the theme of beauty to help resolve environmental issues	We will focus on beauty while promoting activities to resolve environmental issues. We will also communicate these initiatives to the general public to make many consumers aware of environmental issues and expand our network for solving issues using the theme of beauty.	Area planted with coral reefs	<ul style="list-style-type: none"> <li>Promoted the <i>SEKKISEI</i> SAVE the BLUE Ocean Project <b>12,270 m<sup>2</sup></b> (cumulative since fiscal 2009)</li> </ul>	20,000 m <sup>2</sup> (about 53 times the area of a 25 m regulation-size swimming pool)	2030	
		Increase in awareness of environmental issues through products and services	<ul style="list-style-type: none"> <li>Activities involving the <i>SEKKISEI</i> brand</li> <li>Strengthened communication of environmental initiatives on brand websites including <i>DECORTÉ</i>, <i>BIOLISS</i> and <i>Flora Notis JILL STUART</i> <b>6,870,376 people</b> (cumulative since fiscal 2020)</li> </ul>	10 million people or more	2030	
<b>5</b> Environmental conservation programs in areas where KOSÉ operates	We will co-exist and prosper with local communities, conducting environmental conservation activities especially at production facilities, which have a significant impact on the environment.	Local community environmental conservation activities	<ul style="list-style-type: none"> <li>Environmental conservation activities at overseas sites</li> <li>Cleanup activities in communities where KOSÉ production bases are located</li> <li><i>SEKKISEI</i> SAVE the BLUE Snow Project</li> <li>Conducted clean-up activities in the area around ALBION CO., LTD.'s head office, participated in and sponsored a beach cleanup event at Enoshima (Kanagawa Prefecture)</li> <li>Number of initiatives conducted: <b>14</b> (cumulative since 2020)</li> </ul>	20 activities or more	2030	
			<ul style="list-style-type: none"> <li>Established "net zero" as a target</li> <li>Scope 1 and 2 CO<sub>2</sub> emissions reduction: <b>45.1%</b> (total emissions reduction vs. 2018, before verification by third parties)<sup>4</sup></li> <li>Emissions: <b>14,089.4t-CO<sub>2</sub></b></li> </ul>	-55% (target for total emissions reduction vs. 2018)	2030	
<ul style="list-style-type: none"> <li>Calculated carbon footprints of more products<sup>4</sup></li> <li>Scope 3 CO<sub>2</sub> reduction: <b>26.5%</b> (total emissions reduction vs. 2018, before verification by the third parties)<sup>4</sup></li> </ul>	-30% (target for total emissions reduction vs. 2018)	2030				
<ul style="list-style-type: none"> <li>Emissions: <b>732,292.0 t-CO<sub>2</sub></b></li> </ul>	Net zero <sup>5</sup>	2050				
<b>6</b> Lower the overall environmental impact of business operations	Sustainability-conscious design for plastic packaging materials	Reduce Scope 1 and 2 CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Promoted plastic usage reduction and adoption of products made from sustainable materials</li> <li>4Rs<sup>6</sup> compliance rate: <b>30.6%</b><sup>7</sup></li> </ul>	100%	2030	
			<ul style="list-style-type: none"> <li>Recycled plastic and biomass plastic usage rate: <b>11.5%</b><sup>7</sup></li> </ul>	50%		
			<ul style="list-style-type: none"> <li>Virgin plastic usage reduction rate: <b>-10.6%</b><sup>8</sup></li> </ul>	-50% (per production unit, total reduction vs. 2018, before verification by third parties)		
			<ul style="list-style-type: none"> <li>Refill introduction rate: Scheduled for disclosure in 2025</li> </ul>	Scheduled for disclosure in 2025		
Reduce use of water resources through responsible practices	<ul style="list-style-type: none"> <li>Promoted 3R<sup>9</sup> activities for water resources</li> <li>Reduced water use (water intake): <b>6.2%</b><sup>4,10</sup> (per production unit, total reduction vs. 2018, before verification by third parties)</li> </ul>	-12% <sup>10</sup> (production units vs. 2018)	2030			
		<ul style="list-style-type: none"> <li>Expanded the in-store used product container collection program</li> <li>Supported upcycling initiatives using makeup products that have been fully used (upcycling into items such as accessories and pens)</li> <li>Number of initiatives conducted: <b>20</b></li> </ul>	At least 20 new initiatives for waste reduction and resource recycling		2030	
Responsible waste reduction/recycling	<ul style="list-style-type: none"> <li>Supported upcycling initiatives using makeup products that have been fully used (upcycling into items such as accessories and pens)</li> <li>Number of initiatives conducted: <b>20</b></li> </ul>	Zero non-recyclable waste <sup>10</sup>	2025			
Non-recyclable waste	<ul style="list-style-type: none"> <li><b>100%</b> recycling rate at Group production factories</li> </ul>	Zero non-recyclable waste <sup>10</sup>	2025			
We will promote environmental protection and realize sustainable palm oil procurement in order to grow together with society.	Responsible palm oil procurement	<ul style="list-style-type: none"> <li>Procured RSPO<sup>3</sup> certified oil</li> <li>Procurement ratio of RSPO certified materials and purchase ratio of RSPO Credits through the Book and Claim supply chain model: <b>30.2%</b></li> </ul>	100%	2030		



## For People

# 01

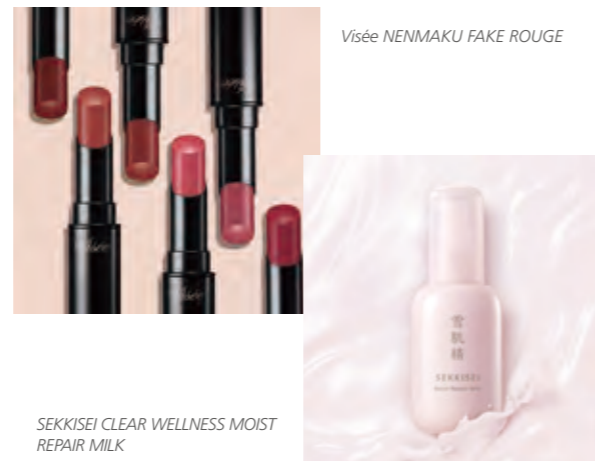
### A Source of Adaptable Products and Services

The KOSÉ Group has been committed to being a source of beauty for everyone throughout its history. By developing adaptable products and services, we help create a world where people with diverse backgrounds and characteristics—including physical features such as skin type and hair color, as well as gender, age, sociocultural and geographical background such as country or region, living environment, religion and creed—can live confidently and beautifully. The Sustainability Promotion Committee (as a subcommittee) manages the progress of Adaptability<sup>∞</sup> initiatives being promoted by each brand.

#### Proposing Beauty Unconstrained by Gender or Generation

-  Unfettered by gender
-  Transcending age constraints

Under the themes of the 3Gs (“Global,” “Gender,” and “Generation”), KOSÉ is exploring new possibilities for beauty with the aim of developing new customer bases and creating unique value. We launched *Visée NENMAKU FAKE ROUGE* lipstick, offering genderless colors and incorporating long-lasting color technology. We also launched *SEKKISEI MOIST REPAIR MILK* as part of the *CLEAR WELLNESS* lineup, which is designed for customers from newborns to adults. Through these initiatives and more, we will continue to reach a very wide range of customers and understand their needs, providing comfort and vibrancy both mentally and physically through beauty to help realize a society where everyone can shine in their own way.



SEKKISEI CLEAR WELLNESS MOIST REPAIR MILK

#### Supporting and Moving in Step with Customers as We Create New Experiential Value by Pursuing the Beauty, Functionality and Usability of Design

-  User-friendly and simple

KOSÉ believes it is important to listen carefully to customers’ opinions and closely support them, and to provide them with suitable products.

For *INFINITY UNLIMITED KEY* beauty serum, we listened to customer needs carefully, focusing on how they can open the cap in various ways, rather than insisting on the use of a specific method. We then devised a unique production method for the container that offers different ways to easily open the serum without compromising on the product design.

As for *DECORTÉ LIPOSOME ADVANCED REPAIR EYE SERUM*, customers told us that integrating a massager into the container, to soothe the eyes and stimulate blood flow, would make for a much more effective, easy-to-use product. We reflected this feedback and built an eye massager into the container, meeting the need for ease of use.



INFINITY UNLIMITED KEY

DECORTÉ LIPOSOME ADVANCED REPAIR EYE SERUM

# 02

### Support for a Beautiful, Healthy and Happy Life

The achievement of health and happiness (i.e., well-being) is one of life’s fundamental goals. We are making efforts to support this goal for all of our stakeholders. We strive to realize better lifestyles through measures such as improving quality of life, supporting sports, and raising awareness for the next generation. In particular, we are focusing on initiatives aimed at the next generation, to coordinate with “Generation” as part of the 3Gs.

#### Awareness Raising Activities Targeting Japanese High School Students, under the Theme of “Protect Your Skin from UV Rays”

We are supporting the growth of the next generation from the perspective of creating healthy skin through cosmetics. As part of these efforts, we are conducting awareness-raising activities about UV protection aimed at sporty junior and senior high school students throughout Japan, under the theme of “protect your skin from UV rays.”

We held seminars on UV protection for female baseball team members at junior high schools in Kanagawa Prefecture in July 2023, and for senior high school students in Okinawa Prefecture from October 2023, among others. The seminars were designed to encourage junior and senior high school students who are exposed to direct sunlight as they play sports throughout the year to protect

their skin—both now and in future—by teaching them the importance of UV protection and the correct way to apply UV care products.



Students attending a UV protection seminar

#### Encouraging the Beautiful Strength within the Spirit of Challenge —KOSÉ’s Activities to Support and Promote Sports

KOSÉ started supporting athletes in 2006, with the aim of raising health awareness through sports promotion. In 2023, we announced an increase in the number of athletes we support, and additional support for athletes such as men’s volleyball player Ran Takahashi. As part of our contributions to local communities, we are working to highlight the importance of sports within society through support for initiatives that lead to healthier, better lifestyles, both physically and mentally, from childhood to old age.

We have also set up a special website (KOSÉ SPORTS BEAUTY) to help the public at large learn more about the wonder and joy of sports.



Our informational website supporting athletes and sports

[More details](#)

For People

# 03

## Help Create a World with True Gender Equality

The continued growth of the KOSÉ Group will require the capabilities of every one of our 12,816 employees worldwide. In the early days following the Company's foundation, its business was supported by female customers. Now, we consider it our duty to support society from a genderless perspective. Aiming to realize a society where diversity is respected and every person's individual talents can be recognized, we will work both within and outside the Company to eliminate the gender gap in society.

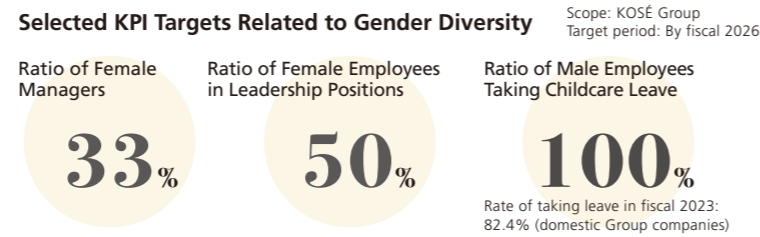
### Diversity and Inclusion Initiatives at KOSÉ

Workplaces in which employees can work energetically and in their own way are tied to the vitality of the Company. Therefore, we offer flexible work arrangements to accommodate the life events of employees, regardless of gender, and have established workplace environments that empower all employees to perform to their full potential. We conduct a wide range of programs, including seminars

on the importance of diversity in the workplace and career plan development, and promote people to leadership positions based on appropriate employee evaluations.

We conduct employee awareness surveys and 360-degree assessments, including reviews of these initiatives.

- Promotion of the KOSÉ IKUPAPA Support System to encourage male employees to take childcare leave
- Operation of an internal information sharing website to disseminate information on topics such as balancing a career with childcare/nursing care
- Launched the KOSÉ Mom & Dad Lounge community for employees who are raising children



### Creating an Environment That Helps People Balance Work and Life Events

The KOSÉ Group has support systems in place to reduce anxiety as much as possible and to keep employees motivated when life events of any kind occur, such as raising a child, nursing care, or injury or illness. In particular, life events involving children (such as pregnancy, childbirth and childcare) can bring about huge changes in an

employee's lifestyle. At KOSÉ, we believe people (regardless of gender) should be fully engaged in both their work and family life. As such, we have established support systems for various life events, including for infertility treatment.

[More details](#)



### Initiatives to Eliminate the Gender Gap Outside the Company

Each brand is promoting activities to support women in line with its own policies. In our efforts to eliminate the gender gap, we are also promoting support for active roles for women throughout the Company.

**DECORTÉ PURPLE RIBBON PROJECT**  
Conducted awareness-raising activities in Japan and overseas to resolve social issues for women



[More details](#)

For the Earth

# 04

## Use the Theme of Beauty to Help Solve Environmental Issues

We provide all kinds of beauty-related value to society through our business activities. With beauty as the central theme, we will continue to promote activities that help solve environmental issues through our products and services. Moreover, by communicating these activities to a wide audience, we will make more consumers conscious of environmental issues and foster an awareness of working to solve social issues. The Sustainability Promotion Committee (as a subcommittee) coordinates with each brand in promoting their sustainability initiatives and managing their progress.

### SEKKISEI SAVE the BLUE Initiatives

The SEKKISEI SAVE the BLUE project focuses on educational activities to increase awareness and deepen understanding of environmental conservation. A portion of sales during the campaign period is donated to environmental conservation activities. We are conducting similar activities globally, including coral reef conservation and tree planting in eight countries and regions,<sup>1</sup> based on the unique features of each area. For the SEKKISEI CLEAR WELLNESS product series, we strive to create environmentally friendly products by reducing our CO<sub>2</sub> emissions and plastic usage. These efforts include (1) use of biomass plastic and label-less, printless designs for containers, (2) use of cardboard and biomass ink for packaging, and digitalization of product usage instructions, and (3) sales of refill packs for customers who continue to use the product. We are also challenging ourselves to creatively reuse materials in order to reduce our burden on the environment. This includes a program for recycling used containers and the use of indigo dye on fabrics.

The winter campaign, SEKKISEI SAVE the BLUE Snow Project, started in fiscal 2022. A portion of sales from selected SEKKISEI brand products purchased by customers during the campaign period will be donated for use in projects related to the conversion to renewable energy for electric power generation in Hakuba Valley,<sup>2</sup> thereby helping to reduce CO<sub>2</sub> emissions. To spread awareness of the campaign, in November 2023 we launched a range of Snow Project products with a limited-edition design.

1. China, Taiwan, South Korea, Thailand, Singapore, Malaysia, Indonesia and the United States
2. A winter resort at the base of the Northern Japan Alps in Nagano Prefecture



[More details](#)

For the Earth

# 05

## Environmental Conservation Programs in Areas Where KOSÉ Operates

For the KOSÉ Group to carry out its corporate activities sustainably, we believe it is important to consider the environment in regions where we manufacture products or offer services, as well as to give back to those regions and continue to develop them. The Sustainability Promotion Committee (as a subcommittee) manages the progress of environmental conservation activities at each business site. We also work in partnership with stakeholders.

### Participation in and Cooperation with the Japan Water Environment Mapping Committee's National Water Environment Survey



To support regional environmental conservation, we participated in the national water environment survey. We examined the state of not only the water used by the Company's businesses, but also that of nearby aquatic environments and resources. We sampled the water at our Sayama (Saitama Prefecture) and Gunma (Gunma Prefecture) factory sites, and at our planned new Minami-Alps Factory (Yamanashi Prefecture), conducted simple analyses and submitted the results from each area to the committee's secretariat.

### Promotion of Cleanup Activities at ALBION



As part of sustainability promotion activities at ALBION, we carry out cleanup activities in order to contribute to society and the environment in the regions where we operate. In July 2023, the brand's flagship store, ALBION PHILOSOPHY, participated in and sponsored (as Team ALBION) the BLUE SANTA beach cleanup event (Fujisawa City, Kanagawa Prefecture) held on Japan's Marine Day national holiday. ALBION employees also signed up for monthly Machikado Clean Day activities held in Chuo-ku, Tokyo. A total of 74 employees from 30 departments took part in cleanup activities eight times, from June to December 2023.

[More details](#)

### Promotion of Biodiversity Initiatives



KOSÉ is also working to protect biodiversity in areas where we operate. We support the "30by30" target (for each country to conserve and protect at least 30% of its land and sea areas as healthy ecosystems) set at the 2021 G7 Summit. We have joined the 30by30 Alliance for Biodiversity. Looking ahead, we will work to obtain certification for the areas in which we currently conduct environmental conservation activities as "Sites Coexisting with Nature." We will also promote activities to reduce risks to biodiversity in line with the characteristics of each area, and work to be "nature positive" (have a positive impact on the natural environment). We are also considering information disclosure in accordance with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD), in order to better communicate the biodiversity-related risks linked to our businesses and to create opportunities to make "nature positive" contributions.

# 06

## Lower the Overall Environmental Impact of Business Operations

Our beautiful global environment is the source of healthy lives for all of us. In addition, because many of the ingredients in cosmetics are obtained from the bounty of nature, such as water, we benefit from the natural environment every day we do business. This is why the KOSÉ Group believes that it has a responsibility to reduce its environmental impact as much as possible. We are now accelerating our initiatives to respond to the particularly pressing issue of climate change.

### Initiatives to Address Climate Change

In fiscal 2019, the KOSÉ Group conducted a material analysis of issues related to the social structure and environment in which it operates. As a result of the findings, we positioned addressing the environment and climate change as an essential management issue in our efforts to drive business growth while helping achieve a sustainable society under the KOSÉ Sustainability Plan, which sets out the entire Group's sustainability initiatives and targets up to 2030. In October 2020, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and joined the TCFD Consortium, an organization of Japanese companies and other institutions that support the TCFD recommendations. In addition, to

further strengthen our response to climate change, we have set a medium-to-long-term target for greenhouse gas (GHG) emissions<sup>1</sup> (in line with the SBT 1.5°C target<sup>2</sup> validation protocol) with the aim of achieving net zero emissions<sup>3</sup> by 2050.

1. CO<sub>2</sub> is the only greenhouse gas that the KOSÉ Group emits in relation to its business activities.
2. A target consistent with the level required by the Paris Agreement, advocated for by the Science Based Target initiative (SBTi). Set based on scientific evidence to limit the overall rise in the average global temperature to 1.5°C above pre-Industrial Revolution levels.
3. Net zero: Balancing the amount of greenhouse gas emissions against their absorption and removal, to effectively achieve zero emissions.

### Governance

The KOSÉ Group views sustainability-related issues as management issues, and has established a system for promoting solutions to such issues. Specifically, we established the Sustainability Committee chaired by the President & CEO. This committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. As chairperson,

the President & CEO is responsible for evaluating and monitoring issues related to climate change. In addition, we have established subcommittees and projects for individual themes to promote more effective cross-departmental activities.

### Strategy (Scenario Analysis and Countermeasures)

The KOSÉ Group conducts scenario analysis to examine the transition risks and physical risks associated with climate change. In this analysis, we evaluate the financial impact of climate change under the scenarios of a 2°C and a 4°C rise in average global temperatures and disclose information on related initiatives. We also use the scenarios as a reference in examining business strategies to realize our envisioned future for society

and the planet.

Based on the results of the scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO<sub>2</sub> emissions reduction in its operations, formulated a Low Carbon Transition Plan in July 2022, and is promoting initiatives to realize a decarbonized society.

### Risk Management

For organizational risks related to climate change, the Risk Management and Compliance Committee, which is in charge of enterprise risk management, identifies and assesses risks at the

corporate level. The Sustainability Committee and the Risk Management and Compliance Committee are monitoring climate change-related issues based on these frameworks.



## For the Earth

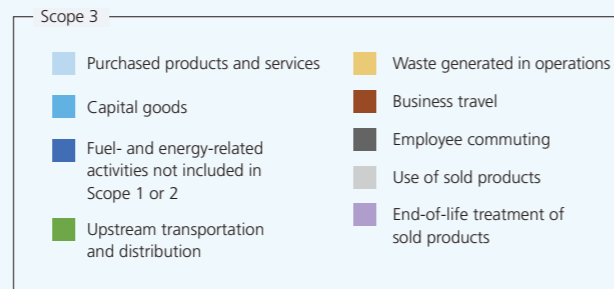
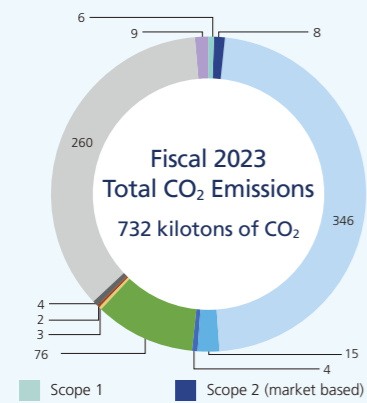
### Indicators and Targets

Based on the results of the climate change scenario analysis, the KOSÉ Group realized it was critical to set some bold targets for CO<sub>2</sub> emissions reduction in its operations. Accordingly, we set CO<sub>2</sub> greenhouse gas emissions reduction targets for 2030 (based on 2018 levels) as one of the activity themes in the KOSÉ Sustainability Plan. The targets are 55% for Scope 1 and Scope 2 emissions

(assessed and approved in line with the SBT of 1.5°C), and 30% for Scope 3 emissions throughout the value chain (similarly validated). In addition, our long-term targets are to achieve carbon neutrality for Scope 1 and Scope 2 emissions by 2040, and net zero Scope 1, Scope 2 and Scope 3 emissions by 2050. We are strengthening our climate change initiatives accordingly.

Notes: The 1.5°C target is consistent with the level required by the Paris Agreement, advocated for by the international Science Based Target initiative (SBTi). Set based on scientific evidence to limit the overall rise in the average global temperature to 1.5°C above pre-Industrial Revolution levels. Targets are assessed and approved by the SBTi.

Breakdown of Fiscal 2023 CO<sub>2</sub> Emissions by Scope (Kilotons of CO<sub>2</sub>)



[More details](#) [▶ Page 77](#)

### The KOSÉ Group's Risks and Opportunities

Type	Risks/Opportunities	Impact	Size of Impact* on KOSÉ		Summary
			1.5/2°C	4°C	
Transition Risks	Shift in consumer demand to environmentally friendly products; decline in reputation due to passive response	Decrease in sales	++	—	In the 2°C scenario, a passive environmental response would lead to lower sales of our products as environmental awareness among consumers increases.
	Stronger restrictions on greenhouse gas emissions; introduction of carbon pricing (affecting KOSÉ and suppliers)	Increase in costs	++	—	In the 2°C scenario, the imposition of a carbon tax, including on suppliers, would lead to increases in our operating and procurement costs.
	Substitution of plastic materials due to introduction of restrictions on plastics	Increase in costs	++	—	In the 2°C scenario, stronger plastic-related regulations would make it necessary to procure biomass plastics and recycled plastics, resulting in an increase in costs.
Physical Risks	Production restrictions due to introduction of restrictions on water intake and discharge	Decrease in sales	+	++	Water stress increases, and the introduction of related water intake restrictions in the regions where we operate as a result of climate change, could lead to a loss of sales opportunities due to suspension of production operations. This impact would likely occur in the 2°C scenario, but we assume it would be even more significant in the 4°C scenario.
	Increase in raw material procurement risk due to climate change	Increase in costs	+	++	If the global yields of palm oil and other raw materials used in our products and containers change as a result of rising temperatures, our procurement costs could also change.
	Suspension of production or logistics operations due to damage from floods or other disasters	Decrease in sales	+	++	If natural disasters such as flooding affect our production and logistics bases, sales of our products could decrease due to shutdowns.
Opportunities	Damage to production facilities and supply chain disruptions caused by abnormal weather	Decrease in sales Increase in costs	+	++	If the impact of global warming causes damage to any of our factories, costs such as repair and rebuilding expenses could arise. If the production and logistics bases of suppliers are similarly affected by natural disasters, there is a risk that the supply of our products could be interrupted.
	Increased demand for sunscreen and UV protection products due to increasing UV exposure	Increase in sales	+	++	If UV exposure in daily life increases, the number of people who need UV protection products and the frequency of use could increase, resulting in increased sales of those products.
	Increased demand for cooling products and makeup smudging prevention products due to rising temperatures	Increase in sales	+	++	In cosmetics-related products such as skin lotion and foundation, if (due to rising temperatures) needs for products that provide a cooling sensation and prevent makeup from smudging increase, sales of those products could increase.
	Improvement of brand value due to reduction of the environmental footprint of our products	Increase in sales	++	—	As environmental awareness increases throughout society, our ability to achieve and publicize a reduction in our environmental footprint could have a positive effect in marketing.
	Development and expansion of products and services with reduced environmental impact	Increase in sales	++	—	The perceived added value of providing non-carbon and non-plastic products and services could have a positive effect on revenue.
	Improved cost competitiveness from renewable energy and energy-saving equipment	Decrease in costs	+	++	The purchase of renewable energy and introduction of energy-saving equipment would lead to a decrease in our energy costs. In particular, in the 2°C scenario, while electricity prices will be higher than their current level, renewable energy purchase prices will fall, so purchasing renewable energy will provide cost advantages.

\* —: minimal impact +: some impact ++: substantial impact

## Resource Recycling Initiatives

### Sustainability-related Collaboration to Promote Circular Upcycling by Reusing Makeup Products

As part of basic strategies under the KOSÉ Group's medium-to-long-term VISION2026, one key initiative is to "accelerate initiatives by generating synergies within the Group and collaborating with other companies." KOSÉ has collaborated with Honda Plus Co., Ltd. and MANGATA Corporation to create upcycled hair accessories using surplus cosmetic bulk<sup>1</sup> and plastics generated by each company's business activities. We have also been promoting horizontal recycling and upcycling activities in cooperation with KAO Corporation since 2022. In 2023, MANGATA Corporation reused KAO and KOSÉ cosmetics to develop the SminkArt® Pen, a water-based ballpoint pen. We plan to present both of these initiatives at the BEAUTY STUDIO pavilion<sup>2</sup> as opportunities for children to experience creative upcycling.

We will continue to strengthen our efforts to expand and promote these initiatives, given the social significance of such collaborations.

1. Cosmetics prior to being placed in individual containers.
2. A pavilion at KidZania Tokyo (Koto-ku, Tokyo) that the Company officially sponsors.



### Joint Development of an Easily Recyclable "Metal-Less Pump" That Uses Plastic Instead of Metal for the Spring

The KOSÉ Group aims to help realize a sustainable circular economy and is working to reduce environmental impact throughout the product lifecycle.

As a new initiative, our Group company ALBION and Yoshino Kogyosho Co., Ltd. developed environmentally friendly materials, and jointly developed a "metal-less pump" that does not use metal parts.

Achieving mono-materialization (product packaging made from a

single material) offers the advantage of eliminating the need to separate and sort each material when recycling resources. This will encourage plastic recycling, as part of even greater awareness of the issue and social demand for solutions. We will continue to contribute to the realization of a sustainable circular economy by further strengthening our resource recycling initiatives.

[More details](#)



A pump with a metal spring

A "metal-less pump"

Image courtesy of Yoshino Kogyosho Co., Ltd.

[Other Initiatives to Reduce Our Environmental Impact](#)

[More details](#)

[Information Disclosure in Accordance with TCFD Recommendations](#)

[More details](#)

## Mind to Follow the Right Path

# 01

### Human Rights Due Diligence

The KOSÉ Group recognizes that it could potentially directly or indirectly affect human rights in the course of its business activities. Accordingly, we have formulated the KOSÉ Group Human Rights Policy, which is based on international human rights standards and clearly sets out our position on respecting human rights. Based on this policy, we use assessments by third-party organizations to conduct a Human Rights Risk Assessment\* aimed at determining possible negative impacts and issues to be addressed. After the Board of Directors passes a resolution on the assessment, the findings are shared throughout the Company. Furthermore, to facilitate consideration and formulation of measures related to respecting human rights, a subcommittee to promote human rights has been established under the Sustainability Promotion Committee. The Sustainability Committee, chaired by the President & CEO and composed of members of the Board of Directors and executive officers, is responsible for overseeing subcommittees.

\* Assessment of potential risks to human rights from business activities.

#### Human Rights Due Diligence

The KOSÉ Group is promoting human rights due diligence in keeping with the United Nations' "Guiding Principles on Business and Human Rights (UNGPs)," aimed at addressing human rights issues relevant to the Group that may arise and are identified through the Human Rights Risk Assessment. In addition, we have established internal and external contact points for consultation on human rights issues.

#### Human Rights Issues of Particular Importance and Risk Management

We are moving forward with the following risk management responses to address key issues in the area of human rights.

Human Rights-related Issues	Status and Response Measures
Continuously Monitoring Human Rights Issues in the Raw Materials Procurement Supply Chain	<ul style="list-style-type: none"> <li>Ascertain through platforms such as Sedex* and self-assessment questionnaires (SAQs)</li> <li>Ascertain through direct dialogue with small-scale palm growers</li> </ul> <b>Supply chain management</b> <a href="#">More details</a>
Diversity, Equity and Inclusion in the Company and Human Rights in the Workplace	<ul style="list-style-type: none"> <li>Promotion of the KOSÉ Group Code of Conduct among all Group employees</li> <li>Employee education on human rights and compliance awareness-raising activities</li> <li>Anti-harassment training for management</li> <li>Promotion of diversity, equity and inclusion</li> </ul> <b>Risk management and compliance awareness-raising activities</b> <a href="#">More details</a> <b>Diversity, equity and inclusion</b> <a href="#">More details</a>
Communication of Information and Our Responses (Public Relations, Advertising, Customer Service, Product Explanations, etc.) with Diversity in Mind	<ul style="list-style-type: none"> <li>Promotion of "adaptability" as a management strategy and incorporation in business activities</li> <li>Unconscious bias education, mainly for people in charge of marketing</li> </ul> <b>Adaptability</b> <a href="#">More details</a>

\* Supplier Ethical Data Exchange: A global membership organization that provides an online platform for enhancing sustainability in supply chains

#### Continuously Monitoring Human Rights Issues in the Raw Materials Procurement Supply Chain

As the Group uses palm oil, minerals and numerous other natural resources as raw materials in its products, it monitors the supply chain through initiatives that determine the possible existence of negative impacts. We grasp the status of the supply chain and promote initiatives to make corrections through supplier surveys and engagement with workers in areas where materials are sourced.

#### Diversity, Equity and Inclusion in the Company and Human Rights in the Workplace

In promoting diversity, equity and inclusion, the Group believes it necessary to understand gender diversity, including LGBTQ+, and to gain a deeper understanding of the increasingly varied national and cultural backgrounds of employees. We therefore conduct a number of initiatives, including internal awareness-raising activities, with the aim of realizing a workplace culture where diverse personnel can play active roles.

#### Communication of Information and Our Responses (Public Relations, Advertising, Customer Service, Product Explanations, etc.) with Diversity in Mind

To avoid unintentionally sowing the seeds of a potentially restrictive or discriminatory set of values in society through our public relations, advertising and customer service, we conduct internal training and awareness-raising activities. We also disseminated messages of respect for diversity, as part of various efforts designed to have a positive impact on society.

Human Rights Policy and Promotional Structure [More details](#)

Human Rights Due Diligence [More details](#)

# 02

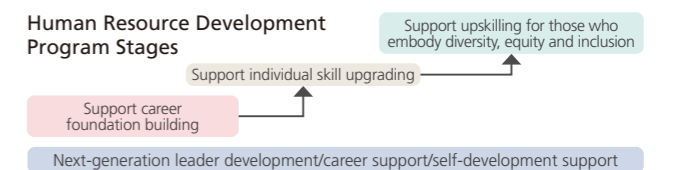
### Human Resource Development

To become a company with a global presence, the KOSÉ Group needs the skills of human resources who anticipate changes around the world and continue to create unique value. That is why, in order to make effective use of human capital to achieve results and to increase job satisfaction and comfort levels among employees, we have made developing human resources one of our material issues. We are working to cultivate people of well-rounded character and creativity to support the sustainable growth of the KOSÉ Group from a medium-to-long-term perspective.

#### Policy for the Development of Skills

The KOSÉ Group Code of Conduct clearly states that we will respect the human rights, capabilities, individuality, and values of each person. Based on this code, we have formulated the Human Resource Development Policy, which advocates for personal development. To this end, we provide opportunities for various types of training and personal development. We have introduced a mentoring system for new graduate employees, carry out self-review sessions for employees ready to move to the next stage of their careers, and provide upskilling opportunities. KOSÉ also supports personal growth through measures such as skill development training for employees at all responsibility levels and practical training suited to specific business units and

departments. In addition, we conduct training in the form of projects for generating innovation and provide upskilling and voluntary career switch programs for Beauty Consultants. We are also working on initiatives to develop the skills of employees to create new value through diversity, equity and inclusion.



#### Initiatives to Generate Employee Engagement and Increase Working Comfort

At KOSÉ, we regard employees as an important asset and the foundation supporting the enhancement of our corporate value. We believe that further increasing employee engagement and employees' willingness to contribute will revitalize the organization and strengthen our competitiveness. Therefore, with the aim of creating a comfortable and rewarding workplace, we regularly conduct employee awareness surveys and 360-degree assessments. The results of the surveys are reported to management committees and others, where the results are analyzed, issues are categorized and measures considered and implemented. In our fiscal 2022 survey, we found that Company loyalty and job satisfaction among employees tended to be higher than the average for the working population as a whole. In addition, compared to the previous survey, we found that the level of satisfaction with the

Company among female employees had significantly improved. In fiscal 2017, we established the "Create a Great Place to Work" committee, which is chaired and vice-chaired mainly by executives and HR department managers. Committee members are selected from a diverse group of employees across departments, and they promote various initiatives to further increase employee engagement.



#### Commitment by Management and Top-Level Executive Officers to Generate Job Satisfaction

Measures to generate and improve job satisfaction are not planned and implemented solely by department managers. The management team, including the President, and top-level executive officers also proactively contribute to the process.

- Career management seminars for mid-level female employees
- Interviews with branch sales staff regarding their job satisfaction
- Lectures on career and lifestyle balance



Human Resource Development and Career Building [More details](#)

#### Supporting Junior Employees' Independence through the Second Family System

We have introduced the Second Family System, which involves creating small "families" made up of members of various ages from different departments. The system facilitates cross-departmental interactions that overcome barriers between age groups and departments, combining members' personal awareness with their understanding of work. This system was created to address the real-world issues faced by new graduate employees who want to engage in more proactive internal communications, such as the decrease in opportunities to achieve mutual understanding caused by the shift to online processes. For junior employees, the system fosters a culture in which they are trained by the entire Company. It also provides them with someone (a more senior employee) to turn to for both Company-related and personal matters, and covers areas that cannot be addressed by a mentor system in their own department.

## Mind to Follow the Right Path

# 03

### Business Operations with Transparency and Fairness

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its employees, business partners, and suppliers. Under the KOSÉ Beauty Partnership concept outlined in our medium-to-long-term VISION2026, we will work with our stakeholders to promote business activities while fulfilling our responsibilities as a member of the global community in order to realize a better future for people and the global environment.

#### Promoting Sustainability in the Supply Chain

We conduct sustainable, responsible procurement for raw materials and product packaging materials that is considerate of society, the environment, and human rights, in line with our Basic Procurement Policy and Sustainable Procurement Guidelines. We also promote

detailed information exchange with suppliers to develop mutual understanding of pertinent issues and use questionnaires to monitor environment-related responses and respect for human rights.

#### Examples of Engagement (Conducting SAQ and Joining Sedex)

##### Monitoring Activities for Responsible Procurement

Every year, we conduct a self-assessment questionnaire (SAQ) for sustainable procurement for our main suppliers in Japan and overseas. In fiscal 2023, we asked 161 suppliers, whose cost of goods procured accounted for 95.5% of the total, to complete the questionnaire, and received responses from 100% of them.

The ratio of suppliers with low scores has improved compared to the previous fiscal year, and through our monitoring activities we confirmed that there were no particular high CSR procurement risks as of the end of December 2023.

##### Response to Procuring Sustainable Palm Oil

The KOSÉ Group acquired the RSPO\* Supply Chain Certification Standard (SCCS) in December 2021 for its head office, related sites, and main factories. In 2022, we renewed our accreditation after passing a follow-up certification assessment. We will continue working to procure RSPO certified raw palm oil and to promote sustainable procurement with our suppliers.

\* RSPO: Roundtable on Sustainable Palm Oil

#### Establishment of Compliance Help Desk

The KOSÉ Group has established a Compliance Help Desk to handle internal and external inquiries for early detection of illegal acts (including bribery and all other forms of misconduct) and violations of internal rules, including those related to human rights issues such as bullying and harassment. Whenever we receive an internal or

external report, we ensure that the anonymity of the reporting party is protected and that they do not suffer any disadvantage. The Compliance Committee acts on the reported information fairly and sincerely with advice from external lawyers and works to swiftly ascertain and promptly resolve the problem.

# 04

### Only the Safest, Most Reliable, High-Quality Products

“Only one product out of millions of cosmetics delivered to the market reaches the customer, so cherish the one.” Based on this belief, the KOSÉ Group aims for unique raw material procurement and production processes that provide customers with safe, reliable cosmetics, taking pride in the fact that KOSÉ is synonymous with quality.

#### Delivering KOSÉ Quality to the World as Our Founder Intended

Kozaburo Kobayashi, who founded the Company in 1946, believed KOSÉ had a duty to develop products of high quality that would make consumers happy and to supply cosmetics that would make the world a brighter place. Persistent supply shortages in the postwar years meant that KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet KOSÉ took pride in being known to customers as a company that delivered quality. This commitment has been passed down to us today as we pursue the highest quality at each stage of the entire value chain. In the 1970s, we were quick to introduce quality control using scientific methods at our production sites, and in 1980 we marked a domestic cosmetics industry first when we won a Deming Prize.<sup>1</sup> We subsequently acquired international quality management standard ISO 9001 and international cosmetics quality and safety standard ISO 22716 (cosmetics GMP<sup>2</sup>) certifications in our ongoing commitment to quality

in response to the demands of the times.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide. At the same time, the need for an adaptable approach, with sustainable products tailored to each individual customer, has increased even further. We also plan to establish a new eco-friendly facility, the KOSÉ Minami-Alps Factory, as a new production base for handling personalized products.

Going forward, we will proactively enhance our sustainable production and supply structure and promote technological innovation to deliver the ultimate in quality.



1. An award given to companies and individuals in Japan who have successfully implemented total quality management of industrial products. (Organizer: Union of Japanese Scientists and Engineers) <https://www.juse.or.jp/english/>  
2. Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products

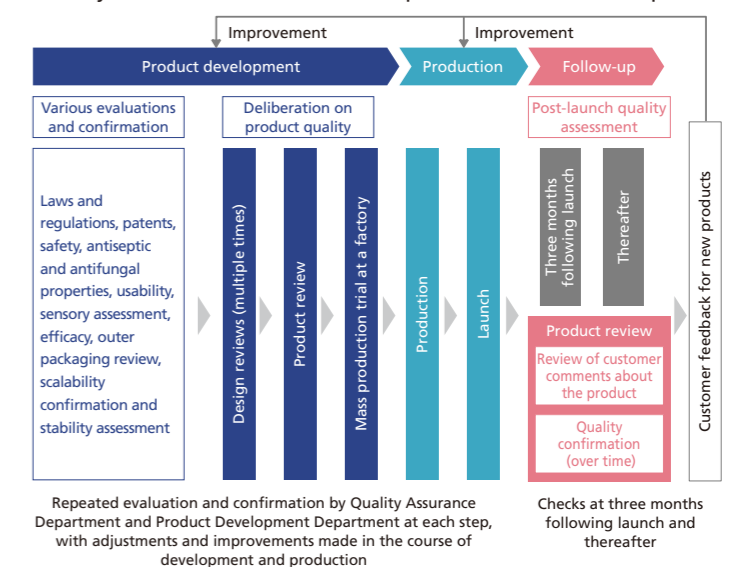
#### Quality Control That Prioritizes Safety and Peace of Mind

Cosmetics are applied directly to the skin and hair, so it is important that we prioritize safety through rigorous and repeated evaluations in line with high-quality standards at each step from raw materials to finished products. Before putting products on the market, for final confirmation of safety we run them through tests under the conditions in which they are expected to be used by customers.

KOSÉ has built a system in which the Quality Assurance Department and the Product Development Department work together from the initial stage of development to evaluate the safety of products. With this system, we rapidly create products that give customers peace of mind and are safe, while placing a premium on novel viewpoints and approaches.

[More details](#)

#### Quality Assurance in the KOSÉ Group's New Product Development



## Mind to Follow the Right Path

# 05

### Customer's Perspective

The KOSÉ Group promotes engagement to be “closer to our customers” so that they are truly satisfied with every one of our cosmetics. The entire KOSÉ Group takes the customer’s perspective in adopting a thoroughgoing stance of delivering the value customers demand.

#### Closer to Our Customers—A Product Development Process Based on Design Thinking

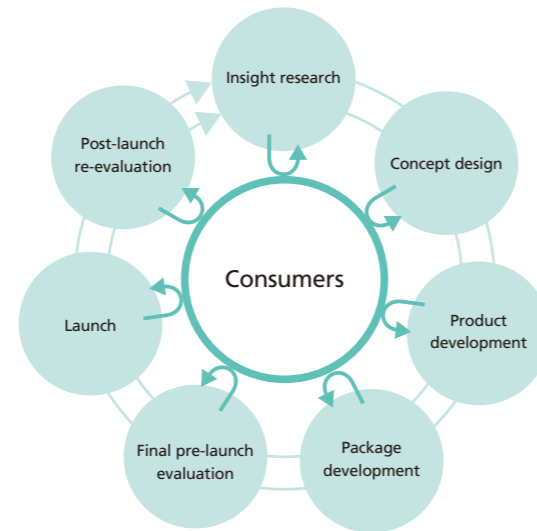
The KOSÉ Group established the in-house slogan “Closer to Our Customers” and in April 2018 announced its Declaration of Consumer Orientation. This slogan is a reflection of the basic policy of KOSÉ’s medium-term management plan for fiscal 2011, and signifies that each employee thoroughly adopts an approach of taking the customer’s perspective in delivering cosmetics with value.

In order to further evolve our activities from the customer’s perspective, we believe it is important to incorporate not only feedback from existing customers, but also feedback from an even broader range of consumers with diverse backgrounds. We have thus established a product development process that reflects the voices of all kinds of consumers (see the figure on the right) and have developed a manufacturing system that introduces adaptability at a higher level. Specifically, we have introduced quantitative and qualitative consumer surveys in each step of the product development process. At the initial stage of product development, we start by conducting consumer surveys on usability, and based on the results we will re-examine the direction of development. By repeating these steps at each stage, we develop products that reflect consumer feedback.

In this way, we put consumers at the center of our product

creation, ensuring that we achieve a true customer perspective that incorporates adaptability.

#### Product Development Process Applying Design Thinking Techniques



#### Commended at the Good Practices of Consumer-Oriented Management Awards

In February 2024, KOSÉ received the Consumer Affairs Agency Commissioner’s Commendation at the fiscal 2023 Good Practices of Consumer-Oriented Management Awards. This award recognizes businesses that have conducted outstanding consumer-oriented management-related initiatives. KOSÉ was recognized for its adaptable manufacturing system that is closely attuned to the needs of individuals, for its efforts to promote skincare habits from early childhood and change consumer behavior by raising awareness of the importance of UV protection, and for its future-thinking initiatives.

We are determined to stay closely attuned to customers now and in the future. To this end, we will create value by considering the diverse backgrounds of each individual, including gender, age, nationality, skin color and values. We will engage with these diverse backgrounds from three angles—physical, mental and spiritual, and

social attributes—in all of our activities, to provide people with choices that reflect their individuality.



Left: Consumer Affairs Agency Commissioner Yutaka Arai  
Right: KOSÉ President & CEO Kazutoshi Kobayashi

## External Evaluations

**Inclusion in ESG Indices** KOSÉ Corporation has been selected as a constituent stock of the following ESG indices.

FTSE4Good Index Series



2023 Constituent MSCI Japan Empowering Women Index (WIN)

#### 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF KOSÉ Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOSÉ Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index



S&P/JPX Carbon Efficient Index



**External Evaluations for Sustainability** KOSÉ has received the following evaluations or certifications from external organizations.



Climate Change Scoring and Water Security (CDP)  
Selected for CDP Climate Change A List 2023 and Water Security A List 2023



2024 Certified Health & Productivity Management Outstanding Organization (Ministry of Economy, Trade and Industry/NIPPON KENKO KAIGI)  
Selected as Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) for 2024



Certified as Advanced at the D&I Awards 2023 (JobRainbow Co., Ltd.)



Science Based Targets initiative (SBTi)  
Obtained SBT (Science Based Targets) certification



HDI Rating Benchmark (HDI-Japan)  
Obtained 3 Star Quality Monitoring Rating



Nadeshiko Brand 2023 (Ministry of Economy, Trade and Industry/ Tokyo Stock Exchange)

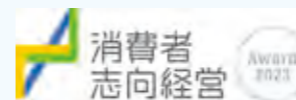
[More details](#)

KOSÉ contributes to sustainability through its support for the following initiatives.

The United Nations Global Compact



Declaration of Consumer Orientation



FY2023 Good Practices of Consumer-Oriented Management Awards Consumer Affairs Agency Commissioner’s Commendation

Task Force on Climate-related Financial Disclosures (TCFD)



30by30 (Ministry of the Environment)



TNFD Forum



Japan Climate Initiative (JCI)



MATSURI (MicroAlgae Towards Sustainable & Resilient Industry)



COSME BANK Project



Japan Clean Ocean Material Alliance (CLOMA)



Kobe Plastic Next: Joining Forces to Recycle Refill Packs

